

SOUTH CENTRAL IOWA LANDFILL AGENCY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2021

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South Central Iowa Landfill Agency

Officials

(Before January 2021)

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Kelley Brown	Chairperson	City of Winterset
Diane Fitch	Vice Chairperson	Madison County
Gwen Schroder	Board Member	City of Indianola
Jerry Bussanmas	Board Member	City of Bevington
Heather Hulen	Board Member	City of Indianola

(After January 2021)

Diane Fitch	Chairperson	Madison County
Heather Hulen	Vice Chairperson	City of Indianola
Gwen Schroder	Board Member	City of Indianola
Jerry Bussanmas	Board Member	City of Bevington
Drew Barden	Board Member	City of Winterset

South Central Iowa Landfill Agency



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Members of the South Central Iowa Landfill Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of South Central Iowa Landfill Agency, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements which collectively comprise the South Central Iowa Landfill Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Central Iowa Landfill Agency as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions on pages 7 through 11 and 27 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2021 on our consideration of the South Central Iowa Landfill Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the South Central Iowa Landfill Agency's internal control over financial reporting and compliance.



Faller, Kincheloe & Co, PLC

December 6, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Central Iowa Landfill Agency (Agency) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2021. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- The Agency's operating revenues increased 13.9%, or \$238,083, from fiscal year 2020 to fiscal year 2021. Gate fees, late charges revenues and other operating revenues increased.
- The Agency's operating expenses were 24.7%, or \$538,269, less in fiscal year 2020 than in fiscal year 2021.
- The Agency's net position increased 14.1%, or \$389,955, over the June 30, 2020 balance.

USING THIS ANNUAL REPORT

The Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Position presents information on the Agency's assets and deferred outflows of resources less the Agency's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Agency financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the statement of operating expenses.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position increased from approximately \$2,759,000, at June 30, 2020 to approximately \$3,149,000 at June 30, 2021. A summary of the Agency's net position is presented below.

Net Position		
	June 30,	
	2021	2020
Current assets	\$ 893,656	814,916
Restricted assets	3,958,643	3,707,843
Capital assets at cost, less accumulated depreciation	2,031,233	1,838,217
Total assets	6,883,532	6,360,976
Deferred outflows of resources	42,768	40,072
Current liabilities	76,528	201,874
Noncurrent liabilities	3,695,073	3,415,990
Total liabilities	3,771,601	3,617,864
Deferred inflows of resources	5,974	24,414
Net position:		
Net investment in capital assets	2,031,233	1,838,217
Restricted	445,788	441,536
Unrestricted	671,704	479,017
Total net position	\$ 3,148,725	2,758,770

The unrestricted portion of the Agency's net position (21%) may be used to meet the Agency's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net position (65%) are resources allocated to capital assets. The remaining net position (14%) is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste, from late fees and from other sources. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for interest income and miscellaneous revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2021 is presented below.

Changes in Net Position		
	Year ended June 30,	
	2021	2020
Operating revenues:		
Gate fees	\$ 1,936,607	1,710,146
County and City assessments	-	4,783
Late charges	6,716	-
Other operating revenues	9,689	-
Total operating revenues	1,953,012	1,714,929
Operating expenses:		
Personnel	305,612	288,418
Equipment operation and property maintenance	299,935	337,416
Depreciation and amortization	481,101	479,220
Engineering	94,573	81,935
Tonnage fees	177,512	167,419
Closure and postclosure care	246,548	806,397
Office and general	33,765	16,510
Total operating expenses	1,639,046	2,177,315
Operating income (loss)	313,966	(462,386)
Non-operating revenues:		
Interest income	48,489	72,833
Gain on disposition of equipment	27,500	-
Net non-operating revenues	75,989	72,833
Change in net position	389,955	(389,553)
Net position beginning of year	2,758,770	3,148,323
Net position end of year	\$ 3,148,725	2,758,770

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position at the end of the fiscal year.

In fiscal year 2021, operating revenues increased \$238,083, or 13.9%, primarily a result of gate fees increasing approximately \$226,000 due to an increase in the volume of collections. Operating expenses decreased \$538,269, or 24.7%. The decrease was primarily a result of estimated closure and postclosure care costs decreasing approximately \$560,000.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and late charges reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes the purchase and redemption of investments and interest income.

CAPITAL ASSETS

At June 30, 2021, the Agency had approximately \$2,031,000 invested in capital assets, net of accumulated depreciation of approximately \$5,082,000. Depreciation expense totaled \$481,101 for fiscal year 2021. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2021, the Agency had no long-term debt.

ECONOMIC FACTORS

The Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities which may potentially become challenges for the Agency to meet are:

- Facilities and equipment at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact South Central Iowa Landfill Agency, 2490 Highway 92, Winterset, Iowa 50273.

Basic Financial Statements

South Central Iowa Landfill Agency

Exhibit A

Statement of Net Position

June 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 685,124
Receivables:	
Accounts	186,585
Accrued interest	9,210
Prepaid insurance	12,737
Total current assets	<u>893,656</u>

Noncurrent assets:

Restricted assets:

Restricted cash and cash equivalents	542,051
Restricted investments	<u>3,416,592</u>
Total restricted assets	<u>3,958,643</u>
Capital assets, net of accumulated depreciation	<u>2,031,233</u>
Total noncurrent assets	<u>5,989,876</u>

Total assets6,883,532**Deferred Outflows of Resources**

Pension related deferred outflows

42,768**Liabilities**

Current liabilities:

Accounts payable	59,981
Accrued payroll and benefits	987
Compensated absences	<u>15,560</u>
Total current liabilities	<u>76,528</u>

Noncurrent liabilities:

Landfill closure and postclosure care	3,512,855
Net pension liability	<u>182,218</u>
Total noncurrent liabilities	<u>3,695,073</u>

Total liabilities3,771,601**Deferred Inflows of Resources**

Pension related deferred inflows

5,974**Net position**

Net investment in capital assets	2,031,233
Restricted for closure and postclosure care	445,788
Unrestricted	<u>671,704</u>

Total net position\$ 3,148,725

See notes to financial statements.

South Central Iowa Landfill Agency

Exhibit B

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2021

Operating revenues:	
Gate fees	\$ 1,936,607
Late charges	6,716
Other operating revenues	9,689
Total operating revenues	<u>1,953,012</u>
Operating expenses:	
Personnel	305,612
Equipment operation and property maintenance	299,935
Depreciation	481,101
Engineering	94,573
Iowa Department of Natural Resources tonnage fees	177,512
Closure and postclosure care	246,548
Office and general	33,765
Total operating expenses	<u>1,639,046</u>
Operating income	<u>313,966</u>
Non-operating revenues:	
Interest income	48,489
Gain on disposition of equipment	27,500
Net non-operating revenues	<u>75,989</u>
Change in net position	389,955
Net position, beginning of year	<u>2,758,770</u>
Net position, end of year	<u>\$ 3,148,725</u>

See notes to financial statements.

South Central Iowa Landfill Agency

Exhibit C

Statement of Cash Flows

Year ended June 30, 2021

Cash flows from operating activities:	
Cash received from gate fees and late charges	\$ 1,899,658
Cash received from other operating revenues	9,689
Cash paid to suppliers for goods and services	(739,416)
Cash paid to employees for services	<u>(291,319)</u>
Net cash provided by operating activities	<u>878,612</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(674,117)
Sale of capital assets	<u>27,500</u>
Net cash used by capital and related financing activities	<u>(646,617)</u>
Cash flows from investing activities:	
Purchase of investments	(250,146)
Redemption of investments	50,000
Interest received	<u>50,962</u>
Net cash used by investing activities	<u>(149,184)</u>
Net increase in cash and cash equivalents	82,811
Cash and cash equivalents at beginning of year	<u>1,144,364</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,227,175</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 313,966
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	481,101
Closure and postclosure care	246,548
Increase in accounts receivable	(43,665)
Increase in prepaid insurance	(5,391)
Decrease in accounts payable	(128,240)
Increase in accrued payroll and benefits	987
Increase in compensated absences	1,907
Increase in net pension liability	32,535
Increase in deferred outflows of resources	(2,696)
Decrease in deferred inflows of resources	<u>(18,440)</u>
Total adjustments	<u>564,646</u>
Net cash provided by operating activities	<u><u>\$ 878,612</u></u>

See notes to financial statements.

South Central Iowa Landfill Agency

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The South Central Iowa Landfill Agency (Agency) was formed in 1980 by the City of Winterset, Iowa, Madison County, Iowa and the City of Indianola, Iowa pursuant to the powers granted by Chapter 28E of the Code of Iowa. The purpose of the Agency was to operate the sanitary landfill within Madison County, and the cities of Winterset and Indianola, Iowa.

The governing board membership consists two representatives from the City of Indianola, Iowa, one representative from the City of Winterset, Iowa, one representative from Madison County, Iowa and one representative selected by a caucus of the governing body.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

The Statement of Net Position presents the Agency's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Cash Equivalents and Investments – The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2021 include non-negotiable certificates of deposit of \$3,416,592.

Restricted Investments – Funds set aside for payment of closure and postclosure care are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land and land improvements	\$ 25,000
Buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the Agency are depreciated using the straight line method over the following useful lives:

Asset Class	Estimated Useful Lives (In Years)
Land improvements	10-50
Buildings and improvements	10-40
Equipment and vehicles	5-10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date but before the end of the Agency's reporting period.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2021.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

(2) Cash, Cash Equivalents and Investments

The Agency's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to ensure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

Concentration of credit risk – The Agency places no limit on the amount that may be invested in any one issuer.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 217,641	-	-	217,641
Capital assets being depreciated:				
Land improvements	3,536,050	-	-	3,536,050
Buildings	268,843	-	-	268,843
Equipment	2,657,801	674,117	240,920	3,090,998
Total capital assets being depreciated	6,462,694	674,117	240,920	6,895,891
Less accumulated depreciation for:				
Land improvements	2,286,767	307,550	-	2,594,317
Buildings	152,669	6,833	-	159,502
Equipment	2,402,682	166,718	240,920	2,328,480
Total accumulated depreciation	4,842,118	481,101	240,920	5,082,299
Total capital assets being depreciated, net	1,620,576	193,016	-	1,813,592
Total capital assets, net	\$ 1,838,217	193,016	-	2,031,233

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	Compensated Absences	Net Pension Liability	Total
Balance beginning of year	\$ 13,653	149,683	163,336
Increases	15,560	-	15,560
Decreases	(13,653)	32,535	18,882
Balance end of year	\$ 15,560	182,218	197,778
Due within one year	\$ 15,560	-	15,560

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Agency contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Agency's contributions to IPERS for the year ended June 30, 2021 totaled \$19,161.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Agency reported a liability of \$182,218 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Agency's proportion was 0.0025939%, which was an increase of 0.000009% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Agency recognized pension expense of \$30,560. At June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 201	4,319
Changes of assumptions	9,353	-
Net difference between projected and actual earnings on IPERS' investments	10,244	-
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	3,809	1,655
Agency contributions subsequent to the measurement date	19,161	-
Total	<u>\$ 42,768</u>	<u>5,974</u>

\$19,161 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2022	\$ 3,797
2023	3,950
2024	3,540
2025	6,162
2026	184
	<u>\$ 17,633</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	4.43 %
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 303,834	182,218	80,246

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2021, the Agency reported payables to IPERS of \$750 for legally required Agency contributions and \$500 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(6) Retirement Benefits

Effective July 1, 2000, the Agency established a deferred compensation plan covering all full-time employees. The plan provides the Agency will match up to \$15 per pay period of eligible employee contributions. Agency contributions to the plan for the year ended June 30, 2021 were \$780.

(7) **Closure and Postclosure Care**

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated at \$3,392,200 and \$1,248,000 for closure and postclosure care for a total of \$4,640,200 at June 30, 2021 and the portion of the liability that has been recognized is \$3,512,855. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2021. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the horizontal expansion is 5.8 years. The capacity used at June 30, 2021 in the original landfill is 100% and the horizontal expansion is approximately 71.7%.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun accumulating resources to fund these costs and, at June 30, 2021, assets of \$3,958,643 are restricted for these purposes, of which \$2,889,809 is for closure and \$1,068,834 is for postclosure care. They are reported as restricted investments in the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

Y NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(8) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2021, there were no unspent amounts retained by the Agency and restricted for the required purposes.

(9) Risk Management

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Agency's contributions to the Pool for the year ended June 30, 2021 were \$26,798.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Agency's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risksharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2021, no liability has been recorded in the Agency's financial statements. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of in the amount of \$500,000 for each accident, \$500,000 memorandum limit, and \$500,000 each employee. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Agency, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Agency. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Agency.

(11) Commitment

The Agency has a commitment to the Metro Waste Authority (MWA) for the collection of household hazardous waste for the patrons of the Agency. The agreement requires the Agency to pay the MWA \$48,444 per year for this service in fiscal years 2022 through 2024.

(12) Subsequent Events

The Agency has evaluated all subsequent events through December 6, 2021, the date the financial statements were available to be issued.

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Required Supplementary Information

South Central Iowa Landfill Agency

Schedule of the Agency's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Seven Years*

Required Supplementary Information

	2021	2020	2019	2018	2017	2016	2015
Agency's proportion of the net pension liability	0.002594%	0.002585%	0.002607%	0.002594%	0.002492%	0.002439%	0.002551%
Agency's proportionate share of the net pension liability	\$ 182,218	149,683	164,940	172,791	156,852	120,518	101,155
Agency's covered payroll	\$ 205,862	196,721	196,721	195,895	193,626	178,859	167,121
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	88.51%	76.09%	83.84%	88.21%	81.01%	67.38%	60.53%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying independent auditor's report.

South Central Iowa Landfill Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Required Supplementary Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 19,161	19,433	18,570	17,494	17,291	15,972	14,924	14,904	14,135	10,625
Contributions in relation to the statutorily required contribution	(19,161)	(19,433)	(18,570)	(17,494)	(17,291)	(15,972)	(14,924)	(14,904)	(14,135)	(10,625)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Agency's covered payroll	\$ 202,972	205,862	196,721	195,895	193,626	178,859	167,121	166,901	163,033	171,689
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	6.19%

See accompanying independent auditor's report.

South Central Iowa Landfill Agency

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

South Central Iowa Landfill Agency

Schedule 1

Statement of Operating Expenses

Year ended June 30, 2021

Personnel expenses:

Salaries and wages	\$ 205,681
Payroll taxes	15,527
IPERS	30,560
Retirement contributions	780
Group insurance	53,064
Total personnel expenses	<u>305,612</u>

Equipment operation and property maintenance expenses:

Fuel expense	49,676
Repairs and maintenance	144,867
Rock and road stone	10,122
Insurance	34,037
Recyclables expense	25,673
Household hazardous waste fees	35,560
Total equipment operation and property maintenance expenses	<u>299,935</u>

Depreciation

481,101

Engineering

94,573

Iowa Department of Natural Resources tonnage fees

177,512

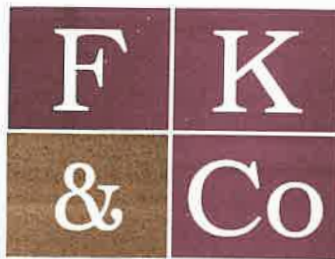
Closure and postclosure care

246,548

Office and general expenses:

Utilities	13,470
Telephone	1,277
Office supplies	1,230
Advertising and printing	732
Miscellaneous	29
Professional fees	17,027
Total office and general expenses	<u>33,765</u>
Total expenses	<u>\$ 1,639,046</u>

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the South Central Iowa Landfill Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Central Iowa Landfill Agency (Agency) as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting as a basis for determining the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies in the Agency's internal control described in the accompanying Schedule of Findings as items I-A-21, I-B-21, I-C-21 and I-D-21 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's Responses to Findings

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

December 6, 2021

South Central Iowa Landfill Agency

Schedule of Findings

Year Ended June 30, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-21 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the South Central Iowa Landfill Agency (Agency) financial statements.

Condition – Generally, one individual has control over each of the following areas for which minimal or no compensating controls exist:

- (1) Disbursements – making certain purchases, receiving certain goods and services, presenting proposed disbursements to the Board for approval, maintaining supporting documentation, preparing, signing, and distributing checks, and posting to the accounting records.
- (2) Payroll – calculating payroll amounts, preparing, signing, and distributing checks, and posting payments to the accounting records.
- (3) Bank accounts – receiving and reconciling monthly bank statements to accounting records.
- (4) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- (5) Receipts – collecting, depositing, posting and reconciling.
- (6) Accounting system – performing all general accounting functions and having custody of Agency assets.
- (7) Investments – investing, detailed record keeping and reconciling earnings.

Cause – The Agency has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Agency should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The Agency will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

South Central Iowa Landfill Agency

Schedule of Findings

Year Ended June 30, 2021

I-B-21 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Agency. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that Agency officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion - Response acknowledged.

I-C-21 Financial Reporting

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Agency's financial statements.

Condition - Material amounts of receivables, liabilities and capital asset additions were not properly recorded on the accounting system.

Cause - Agency policies do not require and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect - Lack of Agency policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Agency's financial statements were necessary.

Recommendation - The Agency should establish procedures to ensure all transactions are properly recorded and reported in the Agency's financial statements.

South Central Iowa Landfill Agency

Schedule of Findings

Year Ended June 30, 2021

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

II-D-21 Receipts

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Agency's financial statements.

Condition – Material amounts of receipts are not deposited timely or on an intact basis by the Agency.

Cause – Agency policies do not require and procedures have not been established to ensure all receipts are deposited timely and on an intact basis.

Effect – Lack of Agency policies and procedures resulted in Agency employees not depositing timely or on an intact basis.

Recommendation – The Agency should establish procedures to ensure all receipts are deposited timely and on an intact basis.

Response – The Agency will revamp the Agency's procedures to ensure all receipts are deposited timely and on an intact basis.

Conclusion – Response acknowledged

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

South Central Iowa Landfill Agency

Schedule of Findings

Year Ended June 30, 2021

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-21 Questionable Expenses – An expense we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This expense is detailed as follows:

Paid to	Purpose	Amount
Iowa Department of Natural Resources	Late fee penalty	\$ 1,395

According to the opinion, it is possible for such expense to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The South Central Iowa Landfill Agency (Agency) should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – We will review this issue. We never received an invoice from the State of Iowa for the quarterly tonnage fee. The first invoice we received for this included a late fee penalty. We attempted to convince the State of Iowa to waive this late fee penalty, but they would not. As a result, we had no choice but to pay the late fee penalty. We believe that due to COVID-19, and people working from home, someone at the State of Iowa did not send the original invoice to us. As it turned out, we had to pay a late fee penalty even though we believe we should not have paid this based on the circumstances as explained above.

Conclusion – Response acknowledged.

- II-B-21 Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- II-C-21 Restricted Donor Activity – No transactions were noted between the Agency, Agency officials, Agency employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-D-21 Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes, except in one instance an invoice was not approved by the Board or published in the newspaper, as required by Chapter 28E.6 of the Code of Iowa.

In addition, gross salaries are not published in the newspaper, as required by Chapter 28E.6 of the Code of Iowa.

Also, the board minutes were not signed by anyone.

Recommendation – The Agency should implement procedures to ensure approval and publication of invoices and publication of gross salaries are in accordance with Code of Iowa requirements. In addition, the Agency should implement procedures to ensure the Board minutes are signed by the Board Secretary.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- II-E-21 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency’s investment policy were noted.

South Central Iowa Landfill Agency

Schedule of Findings

Year Ended June 30, 2021

- II-F-21 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Agency to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency does not receive an image of the back of each cancelled check.

Recommendation – The Agency should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-G-21 Payroll Taxes - The Agency did not submit one payment of \$1,250 to IPERS, as required.

Recommendation – The Agency should ensure all payments due to IPERS are paid to IPERS as required.

Response – This was an oversight on our part. We will ensure this does not happen in the future.

Conclusion – Response acknowledged.

- II-H-21 Miscellaneous – The Agency's bylaws are out of date. The principal office as noted in the bylaws is not considered to be the principal office of the Agency.

The May 2020 board minutes documents that the Board approved a late charge of 5% on delinquent accounts. However, as of June 30, 2021, the late fee has not been charged.

A former board member is still listed as an authorized signatory on the Agency bank account.

Recommendation – The Agency implement procedures to ensure the bylaws are up to date, the late fees are charged as required, and that former board members are removed as an authorized signatory from the Agency bank account.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

- II-I-21 Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

- II-J-21 Financial Assurance – The Agency has demonstrated financial assurance for closure and postclosure care of cells 1 through 6 by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

South Central Iowa Landfill Agency

Schedule of Findings

Year Ended June 30, 2021

	Original Landfill	Horizontal Expansion				Total
		Cells 1 & 2	Cell 3	Cell 4	Cell 5	
Total estimated costs for closure and postclosure care	\$ 655,500	1,219,572	955,117	1,034,711	775,300	4,640,200
Less: Balance of funds held in the local dedicated fund at June 30, 2020	<u>(655,500)</u>	<u>(1,219,572)</u>	<u>(955,117)</u>	<u>(559,185)</u>	<u>(318,469)</u>	<u>(3,707,843)</u>
	-	-	-	475,526	456,831	932,357
Divided by number of years remaining in the pay-in period	-	-	-	5.8	5.8	
Required payment into the local dedicated fund for the year ended June 30, 2021	-	-	-	81,987	78,764	160,751
Balance of funds held in the local dedicated fund at June 30, 2020	<u>655,500</u>	<u>1,219,572</u>	<u>955,117</u>	<u>559,185</u>	<u>318,469</u>	<u>3,707,843</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2021	<u>655,500</u>	<u>1,219,572</u>	<u>955,117</u>	<u>641,172</u>	<u>397,233</u>	<u>3,868,594</u>
Amount Agency has restricted for closure and postclosure care at June 30, 2021	<u>\$ 655,500</u>	<u>1,219,572</u>	<u>955,117</u>	<u>641,172</u>	<u>487,282</u>	<u>3,958,643</u>